

Message Text

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21

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 OMB-01 AID-20 EB-11 COME-00 TRSE-00 DRC-01

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R 040532Z APR 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 1416

SECDEF WASHDC

INFO CINCPAC HONOLULU

C O N F I D E N T I A L TAIPEI 2089

E.O. 11652 : GDS

TAGS: MASS, TW

SUBJECT: F5E CO-PRODUCTION

1. LATE PAYMENT BY USG OF GRANT PORTION OF F5E CO-
PRODUCTION CONTRACT HAS BECOME POINT OF CONTENTION IN
ROC (AIDC) / NORTHROP RELATIONS. PAYMENT DUE NORTHROP
ON JANUARY 1, 1974, REPORTEDLY, WAS MADE ON MARCH 4.
UNDERSTAND LATE PAYMENT WAS OCCASIONED BY DELAY IN
PASSAGE FAA AND WORLD-WIDE STRINGENCIES ON MAP ALLOCA-
TIONS, PRIMARILY BECAUSE OF ISRAEL AND CAMBODIA
REQUIREMENTS.

2. IN FEBRUARY 25 LETTER TO ROC AERO INDUSTRY
DEVELOPMENT CENTER (AIDC), NORTHROP CLAIMED DELAY IN
PAYMENT OF AMOUNT IT WAS THEN FINANCING (\$7.88 MILLION)
WAS ACCUMULATING A DAILY INTEREST COST OF \$2,429.00.
NORTHROP SAID USG DELINGUENCY IN MAKING PAYMENT IN
NO WAY RELIEVED ROC OBLIGATION TO MAKE PAYMENTS TO
NORTHROP IN ACCORDANCE WITH PAYMENTS SCHEDULE (ARTICLE
IV-A OF SALES CONTRACT). INTEREST COST, WHICH NORTHROP
PASSED ON TO ROC, THROUGH MARCH 4 TOTALLED \$155,761.00.

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3. POSSIBILITY OF FUTURE DELAYS PROMPTED NORTHROP TO

REQUEST PROVISION IN CONTRACT OF SALE SPECIFYING ROC
WOULD REIMBURSE NORTHROP FOR ALL FUTURE COSTS OF FINANC-
ING FOR ANY REASON WHATSOEVER WHEN PAYMENT SCHEDULE NOT
MET. WE UNDERSTAND ROC, AT LEAST INITIALLY, HAS REFUSED
TO SIGN SUCH SUPPLEMENT TO HARDWARE CONTRACT.

4. THOUGH AWARE U.S. CONTRIBUTION TO FSE PROJECT IS
"SUBJECT AVAILABILITY OF FUNDS", ROC HAS EXPRESSED DIS-
MAY AT THIS AND OTHER UNPROGRAMMED COSTS IN PROJECT.
NORTHROP REPORTS ROC, NONETHELESS, PLANS COMPENSATE FOR
LATE PAYMENT (DUE JANUARY 1) BY MAKING EARLY PAYMENT,
FROM OWN RESOURCES, OF FUTURE INVOICES.

5. EMBASSY UNDERSTANDS THERE IS ALSO POSSIBLE DELAY IN
PAYMENT WHICH WAS DUE APRIL 1. REQUEST VERIFICATION OF
PAYMENT STATUS, WHETHER ROC HAS ANY INDEMIFICATION
OPTION, WHETHER FUTURE DELAYS PREDICTED, AND HOW TO
MINIMIZE ADVERSE EFFECTS.

MCCONAUGHEY

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Message Attributes

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